

October 17, 2013

VIA ECFS

Ms. Marlene H. Dortch,
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

RE: GN Docket No. 12-268, *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*
GN Docket No. 13-185, *Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*

Dear Ms. Dortch:

Texas 10, LLC d/b/a Cellular One and Central Louisiana Cellular, LLC d/b/a Cellular One (collectively, "Cellular One") urge the Commission to adopt smaller geographic license areas for spectrum offered in the upcoming incentive auction of 600 MHz spectrum¹, as well as the AWS-3 auction,² and to refrain from adopting package bidding procedures. Licensing spectrum in smaller geographic areas will yield several positive benefits: it will maximize bidder participation in any auction, thus maximizing auction revenues and the amount of funding for FirstNet; it will ensure that services are quickly deployed to more Americans, including those that live in rural parts of the country; and, for the incentive auction, it will allow for enhanced market-by-market flexibility in reclaiming broadcast spectrum. Avoiding hierarchical package bidding ("HPB") will help ensure that interoperability occurs and the U.S. Treasury receives additional revenues by correctly valuing low population areas. An auction structured without HPB will benefit residents and businesses in these areas with an interest in prompt deployment of good quality broadband, and will permit carriers to directly acquire spectrum in or near their existing rural systems without needing to wait to purchase such interests on the aftermarket from a larger carrier that holds it as an afterthought. Therefore, the Federal Communications Commission (FCC or Commission) would fulfill several public interest objectives by adopting smaller geographic license areas such as Cellular Market Areas (CMAs) and avoiding package bidding for these upcoming auctions.

¹ *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, Notice of Proposed Rulemaking, 27 FCC Rcd 12357 (2012) (Incentive Auctions NPRM).

² *Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*, Notice of Proposed Rulemaking and Order on Reconsideration, GN Docket No. 13-185, FCC 13-102 (rel. July 23, 2013).

Cellular One was formed in 2005 with a mission to provide real value to consumers and businesses in markets that were significantly underserved. Cellular One is committed to offering broader coverage, better reliability, cutting-edge devices and exceptional customer service, all at affordable prices. Cellular One serves customers in Louisiana and Texas, as well as Montana. Cellular One also serves the Gulf of Mexico through a wholly-owned subsidiary.

Cellular One holds four Cellular licenses in Texas and Louisiana. As the Commission is aware, cellular licenses were offered based on CMAs, and Cellular One's markets include CMAs 661 (Texas 10 – Navarro), 662 (Texas 11 – Cherokee), 456 (Louisiana 3 – De Soto) and 205 (Alexandria, LA). As of the 2010 Census, these four CMAs covered a population fewer than one million people (986,805).

Were the Commission to license the 600 MHz or AWS-3 spectrum on the basis of Economic Areas (EAs), Cellular One would be forced to bid on **five** EAs—86, 88, 127, 130 and 131—just to win spectrum to cover the counties within its current service footprint.³ In this example, Cellular One would have to bid on spectrum covering two of the major metropolitan cities in Texas (**Houston, Dallas/Fort Worth and Austin**), other metropolitan parts of Texas, and the Shreveport and Sulphur/Lake Charles areas of Louisiana. All told, Cellular One would have to bid on spectrum covering over 19 million pops, compared to the much smaller footprint of its core market areas.

In the event of package bidding, the result is similar: in order to obtain its desired CMAs, Cellular One could be required to either outbid larger carriers for larger EAs containing the CMAs, or avoid the pitfalls inherent in HPB, as noted in filings of the Competitive Carriers Association and others (discouraging entry and thereby reducing auction revenues; other revenue restriction results; the “free rider” problem and others).

As a small business, Cellular One simply does not have the financial wherewithal to bid on EAs encompassing nineteen times the number of pops it currently serves, nor does any reasonable business case exist for acquiring spectrum in major markets in which it does not operate. As a direct result, it and others would not participate in the auction. If the Commission adopts EAs, Cellular One—like other similarly situated carriers—will not be able to participate in either the 600 MHz auction or the AWS-3 auction. This would significantly diminish auction participation, bidding activity and prices, and would afford a windfall to the few large carriers that would be able to participate in the auctions. Not only would auction revenues be diminished by use of EAs, but competitive carriers' efforts to deploy high-speed, mobile broadband service to rural America would also be jeopardized.

On the other hand, smaller geographic license sizes like CMAs would increase both participation in, and revenues generated through upcoming spectrum auctions. For example, nearly 100 smaller or rural carriers participated in Auction 73—with most bidding on CMA licenses.⁴ In that auction, the Upper C Block (auctioned in 12 Regional Economic Area Groups)

³ This assumes the Commission uses EAs as they existed in 1995.

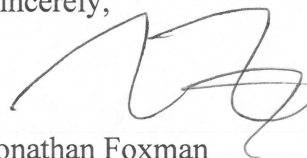
⁴ See *Ex Parte* Letter from Rebecca Murphy Thompson, General Counsel, Competitive Carriers Association to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 12-69 *et al.* at 2 (filed June 28, 2013). In addition to the almost \$2 billion competitive carriers paid for licenses in Auction 73, these small

sold for only \$0.76/MHz-pop, while the Lower A Block (auctioned in EAs) sold for \$1.16/MHz-pop and the Lower B Block (auctioned in CMAs) sold for \$2.68/MHz-pop. With smaller geographic areas, more carriers are able to bid for more licenses, and the increased number of bidders leads to higher revenue. Use of large geographic areas risks significantly reducing the number of potential bidders for licenses, thereby reducing potential auction revenue.

Use of smaller geographic license sizes will give rural and regional carriers reasonable opportunities to bid, increasing competition in the auction room thereby maximizing auction revenue. Cellular One urges the Commission to adopt CMAs or some smaller geographic license size in the upcoming incentive auction and in the AWS-3 auction, and to refrain from adopting hierarchical package bidding auction procedures.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission's Rules.

Sincerely,



Jonathan Foxman
President & CEO
MTPCS, LLC d/b/a Cellular One

cc (via email): Mr. Gary Epstein
Ms. Ruth Milkman
Mr. Jim Schlichting
Mr. John Leibovitz
Ms. Susan Singer
Mr. Tom Peters
Mr. Brett Tarnutzer
Mr. Joel Taubenblatt

entities also bid \$1.2 billion for licenses that larger providers ultimately paid \$1.6 billion to win—driving an additional \$400 million in revenue that most likely would not have materialized had these carriers not participated and increased bid amounts.